

Memo

Date: September 22, 1999

To: SB378 LFC Subcommittee
Senator Christiaens – Chair
Senator Mohl
Representative Witt
Representative Tropila

From: Roger Lloyd
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Subject: Meeting/Workplan for the 2001 Biennium

Subcommittee Meeting

Chairman Christiaens has scheduled a meeting of the SB 378 subcommittee for 1:00 to 3:00 PM October 7, 1999 in room 244 of the Federal Building in Helena. This is the same day that the LFC is meeting at 3:00 PM. Staff will discuss the study ideas presented in this memo and will answer questions on past subcommittee activity. The purpose of the meeting is to develop a workplan for the biennium to guide the subcommittee in its review of statutory appropriations and dedicated revenue provisions. Please call me at 444-5385 if you are unable to attend.

Changes by the 1999 Legislature







In Senate Bill 50, the 1999 legislature made changes to the statutorily required LFC review of dedicated revenue provisions and statutory appropriations (enacted by SB 378 in the 1993 session). Attached are applicable portions of the new statute.

Although the LFC is still statutorily mandated to review and evaluate dedicated revenue provisions and statutory appropriations, this review is now to be based on procedures established by the LFC. Guidelines still remain in statute to aid in whatever form these reviews take. In the past, the Department of Administration (DofA) was required to conduct a survey of all state special revenue accounts and provide the information to the LFC. Now, the DofA is required to provide information on accounts as requested by the LFC. This information is to be provided by February 1, 2000.






Workplan Ideas

The LFC may now specify the type of information that it wants DofA to provide for specific accounts, revenue sources, purposes, etc. This will allow the LFC to develop a workplan within time limitations and tailor the review process to meet its specific objectives. Some possible objectives and study areas follow. Next to each one is a circle that represents the total time available for all of the subcommittee work. The shaded portion is the estimated time the item would take to complete.

Dedicated Revenue Review

-  1. New or changed dedicated revenue sources enacted by the 1999 legislature. A list of these is attached. Also see page 76 in the Legislative Fiscal Report 2001 Biennium Overview.
-  2. Specific tax statute changes such as the coal license tax for long range building debt service.
-  3. State revenue sources that are collected and spent at the local level without revenues or expenditures being recorded on the state accounting system (the last subcommittee did some preliminary work in this area).
-  4. The LFD predicts that general fund present law disbursements will exceed revenues by \$52 million by the end of fiscal 2003 (see page 88 in the Legislative Fiscal Report 2001 Biennium Overview). If this prediction is correct, the 2001 legislature will be faced with serious prioritization of general fund disbursements. Since a major reason for enacting SB378 was to allow the legislature greater flexibility in prioritizing general fund programs by replacing earmarked funding with general fund, the subcommittee may want to focus its workplan on de-earmarking major dedicated revenue sources so the legislature will have more choices.
-  5. Distribution of state money to local governments total \$438 million for the 2001 biennium (see page 11 in the Legislative Fiscal Report 2001 Biennium Overview). This represents an increase of \$65.3 million from the previous biennium, largely due to SB 184 reimbursements for reduced local tax revenue. The distributions are: 1) from many different revenue sources; 2) calculated by various formulas; and 3) are paid through a variety of methods such as statutory appropriations, temporary appropriations, and through non-budgeted transfers. The subcommittee may want to review local government distributions with a view toward consolidating the revenue sources, simplifying distribution formulas, and standardizing the method of how the money is paid.
-  6. Other – at committee discretion

Statutory Appropriations

-  1. Review new statutory appropriations enacted by the 1999 legislature.
-  2. Review all statutorily appropriated general fund (mostly transfers to retirement accounts).
-  3. Add new statutory appropriations or expand existing ones. For example, the legislature may want to: 1) statutorily appropriate bond forfeitures; and 2) change the general fund emergency statutory appropriation to apply to all wildfire costs, not just costs for a fire declared an emergency by the Governor.
-  4. Only review statutory appropriations that have certain uses such as local government assistance. Statutory appropriations to local governments could be done in conjunction with number 5 above under “Dedicated Revenues”.
-  5. Other – at committee discretion

Senate Bill 50

17-1-501. Legislative intents. (1) It is the intent of the legislature, by establishing criteria for the review and evaluation of revenue dedication provisions, to ensure that provisions for revenue dedication:

- (a) are based on sound principles of revenue dedication as described in 17-1-507;
- (b) reflect present circumstances and legislative priorities for state spending;
- (c) are terminated when they are no longer necessary or appropriate; and
- (d) are subject to the same legislative scrutiny as programs or activities funded from the general fund.

(2) It is the intent of the legislature, by establishing criteria for the review and evaluation of statutory appropriation provisions, to ensure that provisions with statutory appropriations:

- (a) reflect present circumstances and legislative priorities for state spending;
- (b) are terminated when they are no longer necessary or appropriate; and
- (c) are subject to the same legislative scrutiny as other appropriations.

17-1-503. Transfer of fund balances to general fund. The balance remaining in each special revenue account terminated pursuant to legislative review must be deposited in the general fund.

17-1-505. Review of dedicated revenue provisions. (1) Each interim, the legislative finance committee shall review dedicated revenue provisions based upon procedures established under subsection (4) and the principles of revenue dedication set forth in 17-1-507 to ensure that legislative policy is clearly stated

(2) The legislature recognizes that dedicated revenue provisions are subject to review by:

(a) the office of budget and program planning in the development and implementation of the executive budget and analysis of legislation;

(b) the legislative finance division in analyzing the executive budget;

(c) the legislative services division in drafting legislation;

(d) the legislative auditor in auditing agencies; and

(e) the department of administration in performing the functions provided for in 17-2-106 and 17-2-111.

(3) To avoid unnecessary use of dedicated revenue provisions, the entities listed in subsection (2) shall, in the course of current duties, consider the principles in 17-1-507 and the criteria listed in this subsection for each new or existing dedicated revenue provision. A dedicated revenue provision should not give a program or activity an unfair advantage for funding. The expenditures from a dedicated revenue provision must be based on requirements for meeting a legislatively established outcome. Statutorily mandated programs or activities funded through dedicated revenue provisions from general revenue sources must be reviewed to the same extent as programs or activities funded from the general fund. The use of a dedicated revenue provision may be justified if it satisfies one or more of the following:

(a) The program or activity funded provides direct benefits for those who pay the dedicated tax, fee, or assessment, and the tax, fee, or assessment is commensurate with the costs of the program or activity.

(b) The use of the dedicated revenue provision provides special information or other advantages that could not be obtained if the revenue were allocated to the general fund.

(c) The dedicated revenue provision provides program funding at a level equivalent to the expenditures established by the legislature.

(d) The dedicated revenue provision involves collection and allocation formulas that are appropriate to the present circumstances and current priorities in state government.

(e) The dedicated revenue provision does not impair the legislature's ability to scrutinize budgets, control expenditures, and establish priorities for state spending.

(f) The dedicated revenue provision results in an appropriate projected ending fund balance.

(g) The dedicated revenue provision fulfills a continuing, legislatively recognized need.

(h) The dedicated revenue provision does not result in accounting or auditing inefficiency.

(4) The committee shall establish procedures to facilitate a biennial review and evaluation of dedicated revenue provisions.

(5) Upon completion of the review, the committee shall report a summary of its findings to the legislature, including its recommendation of termination or extension, with or without modification, of the dedicated revenue provision.

17-1-508. Review of statutory appropriations. (1) Each interim, the legislative finance committee shall, based upon procedures established under subsection (5), review statutory appropriations that are contained in the sections listed in 17-7-502 to eliminate those that no longer fulfill a legislative need and to ensure that legislative policy is clearly stated concerning the use of statutory appropriations.

(2) Each biennium, the office of budget and program planning shall, in development of the executive budget, identify instances in which statutory appropriations in current law do not appear consistent with the guidelines set forth in subsection (3).

(3) The review of statutory appropriations must determine whether a statutory appropriation meets the requirements of 17-7-501. A statutory appropriation from a continuing and reliable source of revenue may not be used to fund administrative costs. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. A statutory appropriation may be considered appropriate if:

- (a) the fund or use requires an appropriation;
- (b) the money is not from a continuing, reliable, and estimable source;
- (c) the use of the appropriation or the expenditure occurrence is not predictable and reliable;
- (d) the authority does not exist elsewhere;
- (e) an alternative appropriation method is not available, practical, or effective;
- (f) other than for emergency purposes, it does not appropriate money from the state general fund;
- (g) the money is dedicated for a specific use;
- (h) the legislature wishes the activity to be funded on a continual basis; and
- (i) when feasible, an expenditure cap and sunset date are included.

(4) The office of budget and program planning shall prepare a fiscal note for each piece of legislation that proposes to create or amend a statutory appropriation. It shall, consistent with the guidelines in this section, review each of these pieces of legislation. Its findings concerning the statutory appropriation must be contained in the fiscal note accompanying that legislation.

(5) The legislative finance committee shall establish procedures to facilitate a biennial review and evaluation of statutory appropriations. Upon completion of the review, the committee shall report a summary of its findings to the legislature, including a recommendation for terminating, extending, or modifying the statutory appropriations reviewed.

17-2-111. State special revenue accounts -- report. Each biennium, the department shall provide information on state special revenue as requested by the legislative finance. The department shall provide the information to the legislative finance committee not later than February 1 of the year preceding a regular session of the legislature.